

AR24



ON THE COVER: Sales to the agricultural industry accounted for the largest segment of Teledyne Canada's income in 1974. The company produces a variety of castings and other products for equipment such as the four-wheel drive tractor shown, manufactured by Versatile Manufacturing Ltd.

Board of Directors

E. M. Brown
D. S. McCann
S. L. Vettese
R. Alan Eagleson, Q.C.
W. W. Smallman

Officers

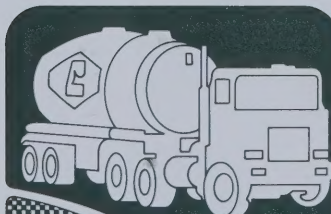
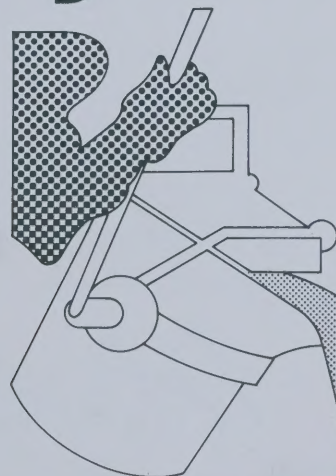
E. M. Brown, Chairman
D. S. McCann, President
S. L. Vettese, Vice President
G. P. Lang, Treasurer
C. T. Loughrin, Secretary
A. W. Elliott, Assistant Treasurer
T. J. Lough, Assistant Secretary

Transfer Agent and Registrar

Montreal Trust Company
15 King Street West
Toronto, Ontario

Corporate Office

15 Brydon Drive
Rexdale, Ontario

AR24**TELEDYNE CANADA LIMITED**
2ND QUARTER REPORT 1974

On the cover are highlighted two of the various products and services of Teledyne Canada.

Top: Production of ductile and grey iron castings.

Lower left: Transport of cement, dry bulk and liquid bulk chemicals and commodities.

TO OUR SHAREHOLDERS :

The first half of 1974 fiscal year ended April 30, 1974 showed higher sales and earnings when compared to the same period of 1973. Net income was \$896,000 on sales of \$10,944,000 as compared to net income of \$475,000 on sales of \$8,247,000 in the corresponding period last year. Earnings per share were 42¢ on 2,120,969 average shares outstanding versus 22¢ on 2,116,014 average shares during the same period a year ago.

The Board of Directors has announced a special cash dividend of 40¢ per share payable on July 22, 1974 to shareholders of record June 28, 1974. The company is also initiating the practice of paying regular quarterly dividends, and a regular dividend of 10¢ per share will also be paid, with the same record and payment dates that apply to the special dividend.



D. S. McCann

President

TELEDYNE CANADA, LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statements of Income

for the six months ended April 30 (unaudited)

	1974	1973
Revenue	\$10,944,000	\$8,247,000
Costs and Expenses:		
Operating costs	8,820,000	7,012,000
Depreciation	416,000	419,000
	9,236,000	7,431,000
Income Before		
Income Taxes	1,708,000	816,000
Income Taxes	812,000	388,000
Income Before		
Extraordinary Item	896,000	428,000
Reduction of Income Taxes	—	47,000
Net Income	\$ 896,000	\$ 475,000
Average Number of		
Shares Outstanding	2,120,969	2,116,014
Earnings Per Share	\$0.42	\$0.22

Consolidated Statements of Source and Application of Funds

for the six months ended April 30 (unaudited)

	1974	1973
Source of Funds:		
Net income	\$ 896,000	\$ 475,000
Add depreciation	416,000	419,000
	1,312,000	894,000
Issuance of capital stock ...	11,000	22,000
	\$ 1,323,000	\$ 916,000
Application of Funds:		
Purchase of property and equipment, net	\$ 680,000	\$ 654,000
Decrease in long-term debt	34,000	10,000
Other	(8,000)	27,000
Increase in working capital .	617,000	225,000
	\$ 1,323,000	\$ 916,000

Highlights from Annual Reports of Teledyne Canada, Limited *for the 12-month periods ended*

	December 1974	October 1973	October 1972	June 1971
OPERATING RESULTS				
Revenues	\$23,985,000	\$18,897,000	\$14,264,000	\$13,532,000
Income Before Income Taxes	3,537,000	2,837,000	1,503,000	1,637,000
Provision for Income Taxes	-1,541,000	1,357,000	793,000	817,000
Net Income	1,996,000	1,585,000	710,000	992,000
Net Income per share	94¢	75¢	34¢	47¢
FINANCIAL POSITION				
Total Assets	15,396,000	14,108,000	11,574,000	11,373,000
Shareholders' Equity	11,855,000	10,904,000	9,290,000	8,203,000
GENERAL STATISTICS				
Average number of shares outstanding	2,123,651	2,117,086	2,109,043	2,103,463
Number of employees	600	589	498	510
Number of facilities	17	17	20	20
Square footage of facilities	238,000	253,000	290,000	293,400

The figures in this table are taken from previous annual reports.

The 1973 and 1971 net income include extraordinary items of \$105,000 and \$172,000, respectively. Net income per share is based on the average number of shares outstanding during each year.

Letter To Shareholders:

The Board of Directors is pleased to present the Annual Report of Teledyne Canada, Limited for the fiscal period ending December 31, 1974. This report details the company performance for a 14-month period due to the change in the fiscal year end from October 31st to December 31st.

Teledyne Canada had earnings of \$0.94 per share for twelve months ended December 31, 1974, compared to \$0.75 per share for the twelve months ended October 31, 1973. Net income for the twelve months in 1974 was \$1,996,000 and sales were \$23,985,000 compared to net income of \$1,585,000 and sales of \$18,897,000 for the previously reported twelve-month period in 1973. Net income for the fourteen months ended December 31, 1974 was \$2,200,000 or \$1.04 per share on sales of \$27,063,000.

In the 14-month period the shareholders' equity increased to \$11,855,000 from \$10,904,000 in 1973 and working capital increased \$798,000 notwithstanding a cash dividend payment of \$1,275,000 made to shareholders during the year. The working capital position at year end was \$5,718,000 as compared to \$4,920,000 in 1973.

During fiscal 1974, \$1,314,000 was invested in new capital property and equipment and the company's cash position increased to \$3,362,000 including short-term investments.

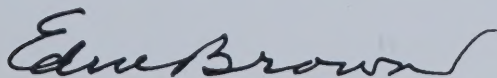
Teledyne Canada has achieved its highest sales and earnings ever attained by comparison to other years for the 14-month and twelve-month periods reported for 1974.

The revenue proportions changed during the fiscal year with a marked increase in manufacturing and sales volume. This trend is continuing with the Teledyne Canada companies obtaining a larger share of the agricultural equipment market requirements. The significant income percentages derived from industry serviced by Teledyne Canada are as follows:

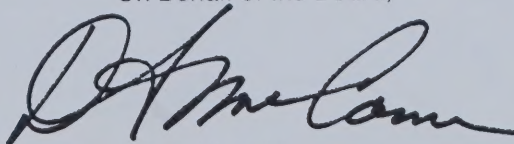
Agriculture	21%
Mining	17%
Construction	17%
Chemical	17%
General Industrial	16%
Energy	12%

From the above you will note that the total income is derived from a balanced industry basis and we are striving to broaden this diversification even further. At the same time we have been eliminating products which did not develop a satisfactory return on investment, such as the manufacture of specialized liquid and dry cargo trailers previously produced by the TVP division.

On Behalf of the Board,



E. M. BROWN
Chairman



D. S. McCANN
President

TELEDYNE CANADA, LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets *December 31, 1974 and October 31, 1973*

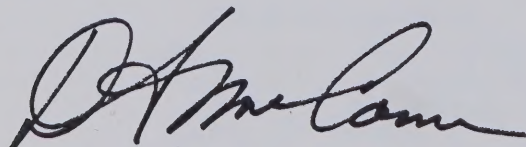
ASSETS

	1974	1973
Current Assets:		
Cash	\$ 539,000	\$ 503,000
Short-term investments, at cost which approximates market	2,823,000	1,908,000
Receivables	2,861,000	2,771,000
Inventories (Note 1)	1,987,000	1,790,000
Prepaid expenses	139,000	234,000
	<u>8,349,000</u>	<u>7,206,000</u>
Property and Equipment, at cost:		
Land	346,000	337,000
Buildings	2,041,000	1,682,000
Equipment	11,532,000	11,646,000
	<u>13,919,000</u>	<u>13,665,000</u>
Less: Accumulated depreciation	8,545,000	8,528,000
	<u>5,374,000</u>	<u>5,137,000</u>
Other Assets:		
Cost in excess of net assets of purchased businesses (Note 1)	1,578,000	1,578,000
Other	95,000	187,000
	<u>1,673,000</u>	<u>1,765,000</u>
	<u>\$15,396,000</u>	<u>\$14,108,000</u>

Approved on behalf of the Board:



W. W. Smallman, Director



D. S. McCann, President

LIABILITIES**Current Liabilities:**

	1974	1973
Accounts payable and accrued liabilities	\$ 1,925,000	\$ 1,437,000
Payable to affiliated companies	199,000	173,000
Income taxes	503,000	665,000
Current portion of long-term debt	4,000	11,000
Total current liabilities	<u>2,631,000</u>	<u>2,286,000</u>

Long-Term Debt (Note 2)	<u>34,000</u>	<u>71,000</u>
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Deferred Income Taxes (Note 1)	<u>876,000</u>	<u>847,000</u>
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Shareholders' Equity:

Capital stock (Note 3) —

Authorized — 5,000,000 shares, no par value		
Issued and outstanding — 2,126,261 shares (1973 — 2,120,047)	4,291,000	4,265,000
Contributed surplus	86,000	86,000
Retained earnings	7,478,000	6,553,000
Total shareholders' equity	<u>11,855,000</u>	<u>10,904,000</u>
	<u>\$15,396,000</u>	<u>\$14,108,000</u>

The accompanying notes are an integral part of these balance sheets.

Auditors' Report

To the Shareholders of Teledyne Canada, Limited:

We have examined the consolidated balance sheet of TELEDYNE CANADA, LIMITED (an Ontario corporation and subsidiary of Teledyne, Inc.) AND SUBSIDIARIES as of December 31, 1974, and the related consolidated statements of income, retained earnings and changes in financial position for the fourteen months and for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously

examined and reported on the financial statements for the year ended October 31, 1973.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Teledyne Canada, Limited and Subsidiaries as of December 31, 1974, and the results of their operations and the changes in financial position for the fourteen months and for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

TORONTO,
January 24, 1975.

ARTHUR ANDERSEN & CO.
Chartered Accountants

TELEDYNE CANADA, LIMITED AND SUBSIDIARIES

Consolidated Statements of Income

	<i>Fourteen Months Ended December 31, 1974</i>	<i>Year Ended December 31, 1974</i>	<i>Year Ended October 31, 1973</i>
Revenue (Note 5)	\$27,063,000	\$23,985,000	\$18,897,000
Costs and Expenses:			
Operating costs	19,699,000	17,448,000	13,222,000
Selling and administrative expenses	2,537,000	2,221,000	2,054,000
Depreciation	1,077,000	943,000	816,000
Interest on long-term debt	8,000	8,000	12,000
Interest income	(189,000)	(172,000)	(44,000)
	<u>23,132,000</u>	<u>20,448,000</u>	<u>16,060,000</u>
Income before provision for income taxes and extraordinary item	3,931,000	3,537,000	2,837,000
Provision for Income Taxes (Note 1)	1,731,000	1,541,000	1,357,000
Income before extraordinary item	2,200,000	1,996,000	1,480,000
Sale of Properties (net of \$30,000 in income taxes)	—	—	105,000
Net income	<u>\$ 2,200,000</u>	<u>\$ 1,996,000</u>	<u>\$ 1,585,000</u>
Earnings Per Share (based on average outstanding shares):			
Income before extraordinary item	\$1.04	\$0.94	\$0.70
Sale of properties	—	—	.05
Net income	<u>\$1.04</u>	<u>\$0.94</u>	<u>\$0.75</u>

Consolidated Statements of Retained Earnings

	<i>Fourteen Months Ended December 31, 1974</i>	<i>Year Ended December 31, 1974</i>	<i>Year Ended October 31, 1973</i>
Balance , beginning of period	\$6,553,000	\$6,757,000	\$4,968,000
Net income	2,200,000	1,996,000	1,585,000
Less—Dividends paid	(1,275,000)	(1,275,000)	—
Balance , end of period	<u>\$7,478,000</u>	<u>\$7,478,000</u>	<u>\$6,553,000</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Financial Position

	Fourteen Months Ended December 31, 1974	Year Ended December 31, 1974	Year Ended October 31, 1973
Source of Funds:			
Income before extraordinary item	\$2,200,000	\$1,996,000	\$1,480,000
Add—			
Depreciation	1,077,000	943,000	816,000
Deferred income taxes	29,000	29,000	89,000
Total from operations	<u>3,306,000</u>	<u>2,968,000</u>	<u>2,385,000</u>
Extraordinary gain on sale of properties	—	—	105,000
Issue of capital stock for cash	26,000	24,000	29,000
Other	92,000	90,000	(26,000)
	<u>\$3,424,000</u>	<u>\$3,082,000</u>	<u>\$2,493,000</u>
Application of Funds:			
Purchase of property and equipment, net	\$1,314,000	\$1,099,000	\$1,037,000
Decrease in long-term debt	37,000	35,000	51,000
Payment of dividends	1,275,000	1,275,000	—
Increase in working capital	798,000	673,000	1,405,000
	<u>\$3,424,000</u>	<u>\$3,082,000</u>	<u>\$2,493,000</u>

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements December 31, 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany transactions and balances have been eliminated. Cost in excess of net assets of purchased businesses is not being amortized.

Inventories: Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. Sales and related costs are recorded as products are delivered and as services are performed. Any foreseeable losses are charged to income when determined.

Depreciation: Transportation equipment is depreciated on a straight-line basis over the estimated useful lives of four to five years. Other property and equipment is depreciated on a declining balance basis over the estimated lives.

Pension Plan: The Company and certain of its subsidiaries have pension plans available to all of their employees. The unfunded liability of these pension plans at December 31, 1974 was approximately \$37,000. The companies intend to fund this amount over various periods to 1989.

Income Taxes: Deferred income taxes are provided where depreciation claimed for income tax purposes is greater than that which is recorded in the accounts. As a result of one company not claiming depreciation for income tax purposes in loss years, the Company has an unrecorded future tax benefit of approximately \$80,000 as of December 31, 1974, which will be recorded when realized. The amount so realized in the fourteen months ended December 31, 1974 was \$74,000 and has been deducted from the current provision for income taxes.

2. LONG-TERM DEBT

7% Mortgage, repayable to 1981, secured by related property.....	\$38,000
Less: Current portion.....	4,000
	<u>\$34,000</u>

3. CAPITAL STOCK

At December 31, 1974, 32,704 shares of capital stock were reserved for issuance to employees under a stock purchase plan which expires in December, 1979. During the fourteen months ended December 31, 1974, 4,214 shares were issued under the plan for \$19,000.

Under the Employees' Stock Option Plan at December 31, 1974, 2,000 shares were reserved for issuance at \$3.75 per share under options expiring December, 1976, and 26,300 shares were reserved for granting of additional options, with no expiry date. During the fourteen months ended December 31, 1974, options to purchase 2,000 shares were exercised at \$3.75 per share.

4. LEASE COMMITMENTS

At December 31, 1974, lease commitments expiring at various dates through 1980, were \$1,626,000 including \$450,000 due in 1975.

5. REVENUE

Revenue was divided in the following proportions:

	1974	1973
Service	42%	48%
Manufacturing and sales.....	58%	52%

6. STATUTORY INFORMATION

Remuneration of directors and senior officers as defined under the Ontario Business Corporations Act, amounted to \$223,000 in 1974 and \$207,000 in 1973.

7. SUBSEQUENT EVENT

In January, 1975, the Board of Directors declared a cash dividend of \$0.17 per share, payable on March 20, 1975, to shareholders of record on February 3, 1975.

8. CHANGE IN FISCAL YEAR END

During 1974, the Company changed its fiscal year end from October 31 to December 31. Accordingly, the current fiscal period covers the fourteen months ended December 31, 1974. Results of operations for the twelve months ended December 31, 1974 have been included for comparative purposes.

Board of Directors

E. M. BROWN
D. S. McCANN
S. L. VETTESE
R. ALAN EAGLESON, Q. C.
W. W. SMALLMAN

Officers

~~E. M. BROWN, Chairman~~ in U.S.
D. S. McCANN, President
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